Medicaid Reform in Virginia:
A Conceptual Framework for the Medicaid Revitalization Committee

---

House Bill 758, passed by the 2006 General Assembly and signed by Governor Kaine on April 5, 2006, sets into motion a self-examination of Virginia's primary healthcare delivery mechanism for the State's most vulnerable citizens – the Medicaid program. The legislation creates a group consisting of patient advocates, healthcare providers, and other stakeholders – the Medicaid Revitalization Committee – to examine alternative and innovative approaches to healthcare delivery under Medicaid, with a focus on client-centered planning, individual budgeting, and self-directed quality assurance and improvement.

This state-initiated Medicaid reform effort is particularly timely in that reform efforts on the federal level have been articulated and codified recently with the Deficit Reduction Act of 2005 (DRA). While many of the reforms found in the DRA represent federally mandated changes to the program's administration, there are a number of optional elements intended by the Congress to be opportunities for states to modernize their Medicaid delivery systems through more flexibility and recognition of alternate approaches to the desired program outcomes. The Department of Medical Assistance Services (DMAS) intends to utilize the expertise of the Revitalization Committee to not only examine the issues articulated in House Bill 758, but to provide expert guidance regarding reform possibilities envisioned by the DRA.

This conceptual framework is intended to concisely articulate the fundamental elements of this Medicaid self-examination, and the mission of the Medicaid Revitalization Committee.

Fundamental Elements of House Bill 758

House Bill 758 (HB 758) directs the Medicaid Revitalization Committee to consider several potential reforms to the Medicaid program, including the creation of an incentive structure to promote increased personal responsibility in the healthcare decisions of Medicaid recipients. While the legislation envisions increased enrollment from "un-managed" delivery models to care-coordination programs – Medicaid managed care, primary care case management, and disease management – a key issue to be considered by the Committee is the creation of voluntary enhanced benefit accounts, or health opportunity accounts, to facilitate healthy behavior and training in effective and appropriate self-care. Under this model, financial incentives would be deposited into the benefit accounts to reward adherence to the plan of care. The legislation emphasizes personal responsibility that would be facilitated through a recipient's ability to purchase, from this enhanced benefits account, qualifying services or items outside the scope of basic coverage, such as a health club membership, for example, thereby further promoting the well-being of the Medicaid recipient and potentially diminishing future utilization of acute care services.

Additionally, the Medicaid Revitalization Committee will consider revising the Medicaid program to allow additional mechanisms for purchase of employer-sponsored health insurance through health benefits accounts funded at the actuarially defined risk-based premium cost that would otherwise be borne by the Medicaid program as a direct insurer. In this area, the Committee will assess how voluntary participation in private insurance programs under a public subsidy to the enrollee would allow flexibility in benefit design and the potential ability to

actively manage the benefit structure, including direct purchase of non-covered, but qualifying services and items.

Finally, HB 758 directs the Medicaid Revitalization Committee to consider the phased implementation of direct electronic access to the enhanced benefit accounts for recipients and fully implemented electronic funds transfer technology for providers and participating managed care organizations (MCOs). Here, the Committee will evaluate a system where direct payment from the health opportunity accounts for certain items and services can be made by the recipient, via an electronic benefits card acting like a debit card, at the point of purchase, rather than through a claims submission system to a third party like the Medicaid program or the participating MCOs.

Mission of the Medicaid Revitalization Committee

The mission of the Medicaid Revitalization Committee shall be to consider potential revisions to the program as identified in HB 758, and to make recommendations regarding the future structure of Virginia's Medicaid program. As directed by HB 758, the Committee's recommendations will focus on emphasizing the state's role in purchasing healthcare services, leveraging the forces of the marketplace to customize services to meet the diverse needs of Virginia's Medicaid population, enhancing personal responsibility and empowering individuals who desire to manage their healthcare, bridging public and private coverage, maximizing access, and containing the growth of Medicaid expenditures in the Commonwealth. In addition, DMAS will seek the advice of the Committee regarding the optional state Medicaid reforms permitted under the DRA.

To fulfill this mission, the Medicaid Revitalization Committee will hold a series of meetings during the coming months, all of which will be open to the public. In order to assure full participation of all Committee members and provide an efficient process for considering issues and making recommendations, DMAS will engage the services of a professional facilitator to lead the meetings. There is a great deal of interest among various interested parties in participating on the Committee. Inasmuch as the legislation provides for a maximum of 15 Committee members, DMAS will integrate into the Committee's deliberations a process through which input from additional stakeholders can be obtained (e.g., open meetings, public comment period, etc.).

At the conclusion of the Committee's deliberations, the Director of DMAS will submit a report of the Committee's findings and recommendations regarding HB 758 to the Governor, the House Committees on Appropriations and Health, Welfare and Institutions, and the Senate Committees on Finance and Education and Health. The report will be submitted by December 1, 2006. Based on guidance obtained during the 2007 Session of the General Assembly, DMAS will prepare appropriate State Plan amendments and waiver applications for any approved reform measures implementing the fundamental elements of HB 758. As required by HB 758, any such state plan amendments or waiver applications shall be prepared and submitted by May 15, 2007.